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30 December 1963

BRIEFING NOTES  
FOR DCI

OCI No. 3456/63

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STATUS OF SOVIET MILITARY PERSONNEL IN CUBA

- I. The role of the Soviet military in Cuba has changed since the missile crisis of October 1962. Since then the majority of Soviet military personnel have been withdrawn.
  - A. Most of the Soviets now in Cuba are advisers and technicians. They are training Cubans and are supervising the use and maintenance of Soviet equipment. The SAM system is still controlled and largely manned by Soviets.
  - B. There are no organized Soviet ground combat units now in Cuba. The only Soviet ground forces personnel now in Cuba are those advising Cuban military units.
  - C. We estimate present Soviet military strength in Cuba between 4,000 and 7,000 men. This figure will remain fairly constant until Cuban SAM training has been completed. At that time more Soviet personnel will probably be withdrawn.

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II. Soviet strategic missiles and bombers were withdrawn from Cuba last year. All Soviet weapons now in Cuba--except the surface-to-air missiles and possibly the FROG tactical rockets--have been transferred to Cuban control.

A. Cubans have taken over the 42 MIG-21 jet fighters, the 12 Komar guided missile patrol boats, the tanks and ground forces equipment at the former Soviet armored camps, and probably the cruise missile system.

B. The Soviets still operate the SAM system, but Cubans have completed classroom training in SAM operations. Last month, Cubans began operational field training, probably at all 24 SAM sites on the island. Cubans now are training in all elements of the air defense system. They probably already control some radar sites in the system. They will probably be able to operate the entire air defense system, including the surface-to-air missiles, by the middle of 1964.

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UAR

I. Nasir's control of Egypt is firm and unchallenged. However, his hopes of Arab unity have been set back.

A. Syria's break from Egypt in September 1961 damaged Nasir's prestige. He has not fully repaired this damage.

1. Nasir is still the Arabs' leading spokesman. This was indicated recently in the favorable response to his call for an Arab "Summit" meeting for 13 January to discuss the Jordan waters problem.

B. Nasir, as the Arabs' leader, is making a massive effort to sustain the pro-Egyptian regime in Yemen.

1. This effort has cost Egypt more than \$50 million since Nasir intervened in September 1962.

2. Nasir further drained Egypt's resources during the Moroccan-Algerian border

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clashes when he gave Ben Bella tanks,  
planes, and advisers.

C. Cairo now relies more and more on short-term  
loans to meet its obligations.

1. Foreign lenders are openly worried about  
this practice and about Egypt's occasional  
failure to make payments on time.
2. Sales of this year's good cotton crop  
have helped overcome the current for-  
eign exchange difficulty. The long-  
term prospects, however, are not bright.

D. An austerity program may yet salvage the  
situation.

1. Nasir must cut his grandiose develop-  
ment plans sharply. He must also make  
various other internal economic reforms  
recommended by Western advisers.
2. There is some preliminary evidence that  
he is accepting this advice. However,  
as in the past, political requirements  
may force Nasir to overrule sound eco-  
nomic practice.

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YEMEN

- I. There is a military stalemate in Yemen between Egyptian and Yemeni royalist forces.
  - A. The UN Observer Mission's mandate expires on 4 January, but Saudi Arabia may agree to an extension.
  - B. Crown Prince Faysal has stockpiled arms for the royalists on the Saudi side of the border, but none have gone over.
  - C. Faysal probably will not resume aid to the royalists if UNYOM continues.
  - D. Nasir has withdrawn almost no troops from Yemen, so that he still has more than 300,000 there.
- II. There has been no progress toward an internal political settlement between royalists and republicans.
  - A. The Egyptians seem unwilling to accede to Yemeni demands for a more representative regime because they are afraid such a regime would be anti-Egyptian.

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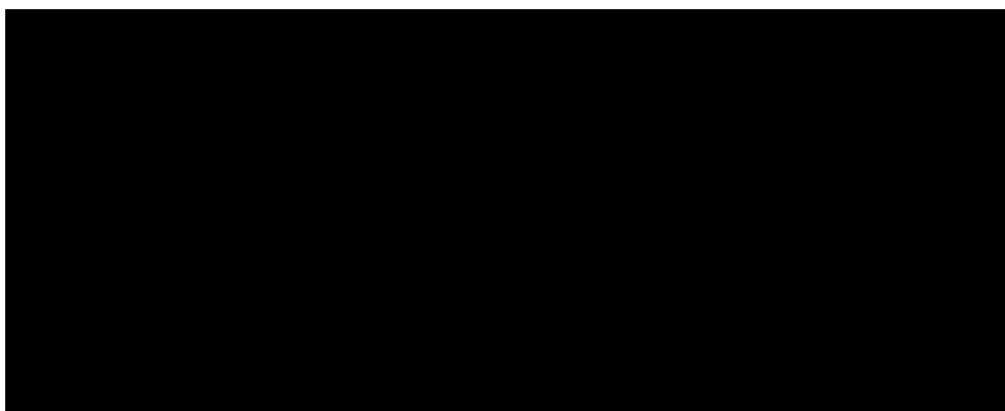
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B. Even if UNYOM collapses on 4 January, a UN political presence will probably remain to try to work out a political settlement.

C. The US is working behind the scenes to try to get a political settlement through the UN.

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IRAQ

- I. The Baathists who overthrew Qasim last February were in turn ousted from power in Iraq in November. As a result, the Iraqi Army has ultimate control.
  - A. The Baathists are gradually being eased out of power. A number of them, however, retain their cabinet and army posts.
  - B. The regime is taking a more friendly attitude toward Nasir, but will not limit Iraq's sovereignty by moving toward union with Egypt.
  - C. The possibility of union between Iraq and Syria is becoming more remote.
- II. Bad winter weather has forced virtual suspension of Iraq's campaign against the Kurds.
  - A. The regime now appears anxious to settle the three-year-old war.
  - B. We have reports that Iraqi and Kurdish leaders now are negotiating a settlement.

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SYRIA

- I. The Baathist regime in Syria felt repercussions when the Baathist regime in Iraq was overthrown.
  - A. Nasirists, though decimated, are still a threat to the regime.
  - B. Baath party leaders differ among themselves and are jockeying for power.
    - 1. One faction wants to cooperate with other anti-Nasir elements--including old-line political leaders.
    - 2. Another more doctrinaire Baathist group opposes this.
  - C. There is still the possibility of an Egyptian-supported coup against the regime.
    - 1. We have considerable reporting on Egyptian activities along this line, but Egyptian effectiveness is not determined.
  - D. The Syrian Army is the key element.
    - 1. We may eventually see the army running the country behind the facade of a civilian government.

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ISRAEL

- I. Israeli-Arab relations are becoming more tense as the Israeli project for diverting water from the Jordan River basin nears completion.
  - A. Tests of the system's pumps will begin near the end of January. Large-scale water withdrawals are scheduled to begin in mid-1964.
  - B. The Arab states evidently do not plan to respond with any overt military action, as they have threatened. They may, however, resort to sabotage.
  - C. The Nasir-inspired summit conference of Arab leaders, to be held on 13 January, will focus on this problem.
    - 1. Nasir probably wants other Arab leaders to acknowledge that military counter-measures are not yet feasible.
    - 2. Some agreement on diplomatic and propaganda measures against the Israelis may result.

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D. Nasir has said publicly that he is reluctant to go to war with Israel over the Jordan's waters.

II. Nasir knows that Israel is better able to fight a conventional war than is any combination of Arab forces.

A. Egypt is attempting to neutralize this superiority by developing surface-to-surface missiles--with the assistance of West German scientists--and by acquiring more modern equipment from the USSR.

1. The Egyptians are not likely to be able to deploy more than a few SSM's over the next five years. We believe these will be of doubtful reliability and limited effectiveness.

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THE SOVIET ECONOMY

- I. The Soviet economy may be at the most important crossroad in its history.
  - A. Soviet leaders face the dilemma of mounting pressure from consumers for an improved standard of living while military programs are increasingly taking away the best material and manpower from civilian economic development. At the same time, slowing economic growth rates disturb the regime.
  - B. The state of economy--particularly agriculture--is such that half-measures and organizational manipulations will no longer suffice to effect necessary improvements.
    1. The economy in 1963 registered one of the poorest performances in postwar history. The estimated increase in industrial production--around 7 percent--is well below increases achieved in the early years of the Seven-Year plan (1959-65).
    2. There was little if any improvement in the standard of living. The housing

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goal was underfulfilled by nearly 20 percent.

3. Grain production was well below the mediocre 1962 harvest. Ten million tons of Western grain are to be imported in 1963/64, which will drain Soviet gold reserves.

II. Khrushchev's decision--at least for now--appears to call for limiting military spending in favor of programs which he believes will promote economic growth and agriculture. This was clearly seen in data presented at the Soviet Central Committee and Supreme Soviet meetings early in December.

A. A massive development of the chemical industry--particularly for fertilizer--is the key feature of Khrushchev's latest panacea for Soviet economic ailments.

1. The equivalent of \$85 billion has been earmarked for this program over the next seven years--an amount equal to total investment for all purposes last year.
2. Two hundred new chemical plants are to be built and 500 reconstructed during the 1964-70 period--compared to less than

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50 built in the last five years.

B. The program also calls for large-scale investments in agriculture and irrigation.

III. Detailed information in 1964-65 economic plans indicates that Khrushchev's program is to be implemented without delay.

A. Chemical investments are to increase 44 percent next year. During the next two years investment devoted to agriculture, food industries, and light industries will grow substantially.

B. Soviet foreign trade organizations--as soon as the plan was published--began active negotiations with Japan, West Germany, and the UK for needed chemical equipment.

IV. Over the next two years this program will force restrictions on other parts of the economy.

A. Ferrous metallurgy goals for 1965 have been scaled back.

B. The machine-building industry is also to reduce its annual rate of increase but output of chemical and oil equipment is to increase 50 percent over the next two years.

C. Housing construction and consumer services such as medical care are to be restricted.

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- D. The expected increase in pensions and minimum wages will be delayed.
- V. The effect on military spending under the new economic direction is not yet clear but Khrushchev will probably trim some military programs.
  - A. Both the 1964-65 economic plan and budget intended to underscore Moscow's present posture of "peaceful coexistence."
  - B. Military expenditures in the 1964 budget are about 4 percent below those planned for 1963. The budget reveals only a portion of total military financing, however, and is not an accurate indication of real spending.
  - C. The science allocation, much of which goes into military research programs, is scheduled to increase at the lowest rate of recent years.
  - D. Substantial increases in requirements for civilian machinery suggest that military hardware programs will have to slow down--thus reversing a trend of the last several years. The major effect, however, will probably be in conventional weaponry.
  - E. Khrushchev has spoken of reducing military manpower levels, but no action is yet apparent.

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A reduction from the present 3.25-3.5 million would be a welcome addition to the civilian labor market but would not solve the problem of scarcity of technical resources.

VI. These are the prospects for the next two years:

- A. Requirements for the chemical program will increase pressures within the economy--particularly if the Soviets are not successful in their current effort to obtain on credit greatly increased amounts of Western industrial equipment.
- B. There will be more chemicals for agriculture but it is unlikely that they will produce the miraculous effect that Khrushchev seems to expect. Organizational shortcomings and lack of initiative by farm workers will continue to hamper Soviet farming, although better-than-average weather could bring considerable short-term improvement.
- C. No real relief is in sight for the long-suffering Soviet consumer since many programs important to his welfare are being tapped to support a chemical program offering at best long-range benefits.
- D. Military programs will be carefully screened and efforts made to economize, but those



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programs which are at the heart of Soviet strategic power--advanced weaponry--will probably not be touched.

- E. The space effort might be stretched out and some cutbacks made in conventional forces.

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COMMUNIST CHINA'S ECONOMY

- I. The Chinese economy is stagnant. The regime still cannot clothe its people as well as it did in the 1950's.
  - A. The Chinese are worried over the population growth. The outlook is bleak for the Chinese people, since there is little chance that production of consumer goods will increase substantially over the next few years.
  - B. This year's grain harvest was only mediocre, chiefly because of prolonged drought in the south and severe flooding in the north.
    1. Current grain output is no higher than it was in 1957. Now, however, the Chinese have 75 million more people to feed.
    2. Food will have to be imported again in the coming year to maintain present levels of consumption, which are already well below those of 1957. The Chinese have imported five million tons of grain per year since 1961.

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3. The higher priority accorded agriculture has not helped. Effective agricultural recovery will require a long-term program of sizable investments and technical improvements.

C. Western visitors report that Chinese industry has great technical difficulties, misused labor, and much unused capacity.

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1. [REDACTED] most Chinese industry is producing at little better than 1957 levels.
2. If the Chinese are to develop modern, complex industries, they will need to import modern equipment and to obtain technological know-how.

II. Chinese trade with the Soviet bloc dropped more than 65 percent between 1959 and 1962--from \$2.9 billion to \$1.3 billion. China's trade with the Free World, which consists primarily of food imports by China, now is greater than Peiping's trade with the bloc.

A. The Chinese have been shopping in European and Japanese markets, but aside from their purchases of food grains, they have bought little.

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B. This reluctance to buy indicates both the tight Chinese foreign exchange position and Peiping's indecision in setting long-range planning goals.

III. We have little evidence of recent long-range planning.

A. The Third Five-Year Plan (1963-67) has been largely ignored in Peiping's announcements.

B. Year-to-year planning will probably continue until there are some signs of recovery in the depressed economy.

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RECENT PRONOUNCEMENTS BY SOVIET LEADERS

- I. Soviet leaders over the past month have underscored their hope that President Kennedy's assassination would not disrupt the relaxation in East-West relations set in motion by last summer's nuclear test ban treaty.
  - A. Khrushchev publicly voiced "profound sympathy and feelings of indignation" over the "heinous assassination." He expressed satisfaction that President Johnson intends to continue the Kennedy policy of peaceful settlement of disputes, improving Soviet-US relations, and halting the cold war.
  - B. Khrushchev has emphasized "peaceful competition," negotiations, and disarmament. He expressed hope that 1964 will witness "development of relations of peaceful co-operation, good neighborliness and friendship" between the US and USSR.

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1. He welcomed recent Congressional action on trade with the Soviet Union and said "seeds have been sown which prompt American business circles to believe that the expansion of trade ties is advantageous to both sides."

II. On disarmament, Khrushchev is seeking to capitalize on the announced cut in Soviet military spending and the possibility of "further reductions" in the armed forces.

A. He has called on other governments to emulate this example: "I would call it a policy of mutual example in the curtailment of the arms race."

1. In addition to his usual bold statements that "we are ready immediately to conclude a disarmament agreement," Khrushchev has renewed familiar proposals for "partial measures."

III. The Soviets continue to issue periodic reminders of their determination to stand by Cuba.

A. In mid-December, Khrushchev charged "US aggressive military circles" are again spreading tension around Cuba.

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1. He warned "gentlemen aggressors" not to "play with fire" and said "Cuba will not remain defenseless should aggressive and militarist circles of the US attack it."

IV. Soviet leaders are avoiding provocative statements regarding Berlin and Germany.

- A. In recent speeches, Kosygin and Brezhnev confined themselves to repeating standard calls for a German peace treaty and transformation of West Berlin into a "free city."

V. Khrushchev's recent public assurances of strong support for Afro-Asian "liberation struggles" were designed primarily to undercut Chinese Premier Chou En-lai's current African tour.

- A. He stressed that peaceful coexistence does not mean a "reconciliation with imperialism" or "curtailing the national liberation movement."

1. He repeated his standard line that "we have never exported revolution and never shall, but we have always supported and shall continue to support in every way the peoples who rise up in the sacred struggle against imperialism."

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B. Soviet preoccupation with blunting the Chinese appeal was also reflected in Khrushchev's 27 December prediction that the "Americans will be thrown out of South Vietnam just as surely as the French were thrown out of North Vietnam and Algeria."

1. He urged Americans to withdraw gracefully and save "their face in good time."

VI. The Soviets continue to avoid direct polemical attacks on the Chinese.

A. While Khrushchev's 70th birthday message to Mao Tse-tung on 26 December met the ritual requirements of the occasion, it reflected the chilly atmosphere in both personal and party relations.

1. The message made no reference to Mao's personal role in Chinese achievements; it congratulated the Chinese "people" and party only.
2. Its only reference to the dispute was in remarks regarding the importance of unity and the ability to "survive any tests."

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3. This message contrasts sharply with Khrushchev's reference to "our dear comrade" and "wise leadership" on Mao's 65th anniversary.

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RECENT PRONOUNCEMENTS BY CHINESE COMMUNIST LEADERS

- I. The Chinese Communist leaders have a distorted insular view of the outside world.
  - A. They are confident that events are running inevitably in their favor.
    1. A favorite slogan is "the East wind is prevailing over the West."
  - B. They believe that people throughout Asia, Africa and Latin America--the "have nots"--are potential supporters of the militant Chinese view.
  - C. They constantly encourage "oppressed people" everywhere to engage in "national liberation struggles," but avoid specifying who these people are. In part this is because in most areas the Chinese are incapable of providing anything but verbal support. South Vietnam is a major exception.
- II. On his current North African tour, Premier Chou En-lai is trying to soften China's warlike image by assuming a pose of peace and moderation.

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A. His primary objective appears to be to undercut US, Soviet, and European influence.

1. While there is little evidence that he has had success in accomplishing this, he has probably been able to identify Peiping more closely with African aspirations.

III. The Chinese are more realistic about internal problems than they are about the outside world.

A. A few years ago they were overoptimistic and believed they could build a strong, modern China in less than a decade.

B. Now, however, after several years of grave economic difficulties, they frankly tell the Chinese people that the country is extremely poor and backward. They say it will take decades of hard work to overcome this backwardness.

C. They are determined to press ahead with a broad program to build nuclear weapons, supersonic aircraft and guided missiles.

1. Foreign Minister Chen I said last October that China intends to produce nuclear weapons even at the expense of consumer goods.